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COMMUNICATION.

THE NATIONAL COMPANY OF LIGHT RAILWAYS IN BELGIUM.

Most of the Belgian railroads have always been in the hands of the state, and as late as fifteen years ago all of them were broadgauge lines. The expenses of building and working a broadgauge railroad usually prevented the extension of the system through the less thickly populated parts of the country, with the result that the people who were most in need of cheap transportation were utterly deprived of facilities, except in a few instances where personal or political influences were brought to bear on the government, and then, the community at large was burdened with the unnecessary load of a losing venture. Private enterprise was equally slow in starting light country railroads, although it freely undertook the construction of city tramways. The reason for this was that the local country lines, except in the neighborhood of large towns, could never be expected to yield large dividends.

In 1885, a bill was brought forward for promoting a system of local light railways throughout the country districts and for connecting them with market places and with stations on the large railroads.

The bill became a statute and provided for the incorporation of a national monopoly: the *Société Nationale des Chemins de fer Vicinaux*. The statute gives a monopoly to a limited liability company whose existence is indefinite, and which can be dissolved only by act of parliament. Although not officially called a monopoly, the National Company is one to all intents and purposes, for, with the single exception of municipal tramways, it has an option for a year upon the construction of all the light railways authorized by the government. Probably, when the National Company does not avail itself of the franchise, the line will not be worth building, and nobody will undertake it. Moreover, when the government grants a franchise for a new line, the time is stated within which it must be completed, without forfeiting the privileges of the concession.

The capitalization of the National Company is unlimited, and is issued in \$200 shares, the issue depending upon the amount required for building and equipping the lines of light railways which the company may open. Whenever the building of a new branch is undertaken, the company issues the necessary number of \$200 shares, and these new shares form a series bearing a special number, the interest on which must be paid out of the earnings of the new line only.

The statute provides that in each case a minimum of two-thirds of these shares must be subscribed for conjointly by the state, the provinces (counties), and the municipalities connected with the particular branch. The subscription of the state shall not exceed one-half of the capital required for each line, but as a rule it has reached that figure during recent years, because the government desires to promote the extension of the system on a large scale. The provinces and municipalities interested in the branch constructed may subscribe as much of the capital as they please, provided it does not burden their financial powers beyond what may readily be met by the local taxes. The remainder of the capital, not exceeding one-third of the total amount, if there be any left unsubscribed for, may be taken by private investors.

The shares owned by the private investors are similar to those of any other business corporation and transferable at will; but the shares of the provinces and the municipalities are transferable only by special authority of the government. One special feature of the National Company is that it makes the state and the public bodies compulsory joint owners of the capital of the corporation, but limits their liability to the amount of their respective subscriptions.

The statute provides further that the shares allotted to private investors, if any, must be paid for either immediately or upon call of the directors of the company. But the state and the other administrative authorities may pay up their subscriptions as they may choose, either fully at once, or, as is generally the case, in ninety yearly instalments, calculated at $3\frac{1}{2}$ per cent per annum. A special financial scheme highly beneficial to the public bodies has been resorted to in order to carry out this combination. Whenever the company receives such instalment subscriptions, it issues bonds for the corresponding amount in capital and throws them on the stock market. The bonds are 3 per cent debentures only, but they are readily taken up by investors, because the interest and the sinking fund of the bonds are guaranteed to the extent of 600,000 francs a year, by the government, under whose authority they are issued by the company. The 3 per cent bonds of the National Company rank almost as high as government securities. The interest and sinking fund of these bonds must be provided for out of the yearly instalments of the subscribing public bodies, as long as the earnings of the National Company are not able to cover them.

For the purposes of financial management and working of the light railways, each branch line or group of branch lines is considered as under a separate corporation. As long as the operating expenses exceed the earnings the National Company makes up the differ-

ence; but as soon as the line begins to pay, a dividend is allotted to the various shareholders in the following way: To the private shareholders, the directors may issue a dividend not exceeding 4 per cent per annum on the paid up capital, according to the conditions under which the shares have been subscribed for. To the public bodies the directors must allow a dividend as nearly as possible equal to the yearly instalment due from the subscribers. If a surplus still remains, it shall, after due provision has been made for the allowances to the directors and the general manager personally, be divided by giving one-fourth to the particular reserve fund of the branch corporation, three-eighths as a further dividend to the general shareholders and three-eighths to the National Company.

The National Company is a construction company only; it builds the lines of light railway and fully equips them with the necessary rolling stock, but it does not operate the roads. Each line or group of lines is leased, fully equipped, to a contractor who may be a private individual, a company or a co-operative association of interested municipalities. The terms of the lease (*cahier des charges*) provide carefully for the improvement of the train service, the rates of transportation, the repairs of the rolling stock, the proper supplying of the lines with laborers and clerical staff, and the apportionment of the net earnings between the operating company or lessee and the National Company, *i. e.*, its own shareholders. The improvements of the permanent way and the buildings, together with the supply of additional rolling stock, are paid for by the National Company. The accounts of the operating company are open to the supervision of the National Company, and security is given to it by the lessee both in cash deposits and in a preferred share of the yearly earnings of the lines. These operating contracts or leases are made for thirty years in each case, in accordance with rules laid down by the statute and by the government when they grant to the National Company the franchise for building the new line.

The plan of leasing out the operation of the lines to local investors works well. It frees the National Company from running a large number of small disconnected railways scattered all over the country, and insures a good local service, under the general supervision of the National Company, by contractors, mostly local business men, manufacturers or landowners, interested both in the financial success of the concern and the improvement of the district. The necessary capital not being large, is obtained easily by the contractors. The only capital requirements are for the running expenses of the small railroads, and the rate of interest is not limited to a fixed maximum, as in the case of shares subscribed for the building of the light railways.

The natural result of this maximum limit of 4 per cent a year on the building shares has been that only a small number of private investors have subscribed towards the capital of the National Company; their aggregate subscriptions do not quite cover $2\frac{1}{2}$ per cent of the capital amount.

The Belgian state, provinces and municipalities, through the medium of the National Company, are practically the sole owners of the whole system of light railways throughout the country. Yet, they have not strained their finances in acquiring this large property, because they can pay up their shares in ninety yearly instalments of $3\frac{1}{2}$ per cent per annum. At the same time the railroads are built with the money provided by the 3 per cent bonds also amortizable in ninety years. As long as the particular line in which the public bodies have invested is not worked at a profit, they go on paying in capital without compensation, but as soon as the line begins to pay, their share in its earnings is deducted from the payable annuities, and it may happen at any time before the expiration of the ninety years, that the dividend will fully cover the annuities, and that the public subscribers will be able to pay up the remainder of their subscriptions out of the earnings of the money previously paid in. Their financial position will be still further improved after ninety years, when the public shareholders have no more annuities to pay and will receive in cash their share of the dividend earned by their own lines. They may even then purchase on the stock market, at any price not exceeding the par value, the shares of private investors, willing to part with their holdings at that figure, in order to acquire exclusive control over the capital of any local branch in which they are interested.

Because of the public character of the National Company, special rules have been laid down in the statute for the constitution of its governing body.

The general manager of the company is directly appointed by the government and he holds his office during good behavior, as is the case with other civil servants. He is entitled to sit and vote in the meetings of the Board of Directors. The directors, six in number, are appointed for six years and may be re-elected, one-half by the shareholders, and the other half, including the president of the board, by the government. There is also a Board of Overseers, nine in number, appointed yearly, and re-eligible to election by the shareholders at their annual meeting, one overseer being chosen from each of the nine Belgian provinces. The members of this board are, as a rule, members of the administrative body in each province, and may be looked upon as delegates of the provinces to look after their interests in the management of the company.

The problem of control over this big monopoly has thus been solved by giving the government a strong power over the managing authorities of the National Company. At the same time a suitable representation of the shareholders, both public and private, has been provided for. The control of the government and other administrative authorities over the transportation service on each line is secured by the right of supervision of the National Company over the working of each local branch and by the enforcement of the rules laid down in the contract for the lease of every single branch to the local operating company.

By the end of the year 1900 the National Company of Light Railways had built or was engaged in the construction of 104 lines of narrow-gauge railroads covering a total distance of 2,384 kilometers,¹ 1,840 of which were already in operation. The company contemplates the building of 107 other lines representing 2,023 kilometers. Moreover, seven lines with a total length of 153 kilometers have been asked for by local communities, but the applications so far have not been entertained by the company. Should the company decide to construct these roads, its engagements would involve a total of 218 lines with a length of 4,560 kilometers. The capital required for the first 104 lines amounts to 124,109,000 francs, and has been subscribed for as follows:

State	41,810,000 francs, or 33.7 per cent.		
Provinces	34,917,000	"	28.1 "
Municipalities	44,336,000	"	35.7 "
Private investors . . .	3,046,000	"	2.5 "

The capital actually spent on the lines already built or being built and equipped with rolling stock amounts to 93,388,896 francs, *i. e.*, an average cost of 45,612 francs per kilometer.

Out of 79 lines that have been operated for at least one year, 40 yield a profit slightly higher than the $3\frac{1}{2}$ per cent rate of the yearly annuities subscribed for by the public bodies; 10 yield a profit of 3 per cent; 11 bring a little more than $2\frac{1}{2}$ per cent, and 6 a trifle over 2 per cent a year. The average rate of profit for the year 1900 is 3.3346 per cent of the capital subscribed. For the last ten years the average rate of profit has slowly but steadily increased: In 1890, it was 2.65 per cent; 1891, 2.75 per cent; 1892, 2.76 per cent; 1893, 2.80 per cent; 1894, 2.90 per cent; 1895, 2.98 per cent; 1896, 3.08 per cent; 1897, 3.15 per cent; 1898, 3.23 per cent; 1899, 3.30 per cent; 1900, 3.33 per cent.

By comparing the mileage of the National Company's narrow-gauge

¹ One English mile is about 1.6 kilometer, or 1,609 meters.

railroads with the mileage of trunk lines or broad-gauge railways in Belgium, it will be seen that the former is more than 50 per cent of the latter. Taking the population of Belgium at 6,744,532 inhabitants, the figure at which it stood last year, and the area of the country at 2,945,591 hectares¹ the proportion of the light railroads' mileage (2,384 kilometers) stands as follows :

For every 10,000 inhabitants, 3.53 kilometers of light railroads.

For " 10,000 hectares, 8.09 " " "

The gauge is generally one meter except for a branch of about twenty-two kilometers, where a gauge of 1.435 meters, or about five feet, has been adopted for the sake of connecting with Dutch lines. The lines are generally worked by steam, except when they run into large cities. Electricity is used there, the electric lines now having a length of about seventy-five kilometers.

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¹ One hectare is nearly equal to 2½ acres.